

February 21, 2003

Country of Origin Labeling Program
Agricultural Marketing Service
U.S. Department of Agriculture
Stop 0249, Room 2092-S
1400 Independence Ave SW
Washington, DC 20250-0249

To Whom It May Concern:

The National Fisheries Institute (NFI) is pleased to submit these comments regarding the anticipated costs of implementing the mandatory Country of Origin labeling scheme on September 30, 2004 as required under Public Law 107-171 under the presumption that the mandatory program will be similar in nature to the current voluntary Country of Origin Labeling guidelines promulgated by the Agricultural Marketing Service (AMS).

The NFI is the nation's leading trade association for the diverse fish and seafood industry of the United States. The NFI represents fishing vessel owners, processors, importers, exporters, distributors, aquaculturalists, seafood retailers and restaurants. NFI is committed to assisting our member companies provide consumers with safe, wholesome, diverse, and sustainable seafood choices.

The NFI would like to stress that it has been extremely difficult to derive operational cost estimates for implementation of the mandatory Country of Origin labeling scheme given the lack of detail and inherent vagueness of the current voluntary guidelines. In the absence of much more specific requirements, the operational changes and costs required are difficult, if not impossible to calculate. In particular, much more specific guidance regarding what constitutes a "restructured fish product" and is, therefore, exempt from mandatory Country of Origin Labeling as an ingredient in a processed food item is needed in order to assess the breadth and scope of these requirements for the fish and seafood industry. The fish and seafood industry produces an amazingly diverse array of value-added and processed seafood items, many of which will likely fall under the "restructured fish product" exemption. However, the marketplace will not tolerate regulatory uncertainty in this area. In the absence of specific guidance from AMS on this diverse array of products, therefore, the full implications and costs of implementing the mandatory scheme are difficult to assess. The NFI intends to submit substantive comments on the voluntary guidelines by April 9, 2003. These comments will contain additional implementation cost estimates to the extent possible.

Nonetheless, some members of the NFI have been able to provide rough cost estimates that we are pleased to submit to you at this time. NFI member companies that process and package seafood items for retail sale have estimated that their costs of implementing the mandatory Country of Origin Labeling scheme will be anywhere from \$0.03 to \$0.10 per pound of production with the low-cost estimate reflecting the development of some type of sticker-based system for retail packages and the high-cost estimate reflecting the

impact of carrying various printed cartons for the potential differing products and Country of Origin combinations. In order to comply, a relatively large shrimp processing facility producing 30-40 million pounds of shrimp per year, for example, would incur annual costs of \$1-4 million. This estimate of course does not include increased recordkeeping costs or the upstream or downstream recordkeeping and operational adjustment cost estimates and should, therefore, be considered an extremely conservative (i.e., low) cost estimate. Not knowing the full scope of the application of the mandatory Country of Origin labeling scheme to fish and seafood products given the vague nature of the guidelines regarding restructured fish products, it is impossible to extrapolate this cost estimate to an industry wide calculation. However, it is inevitable that these considerable additional costs will result in increased food costs for consumers at the retail level.

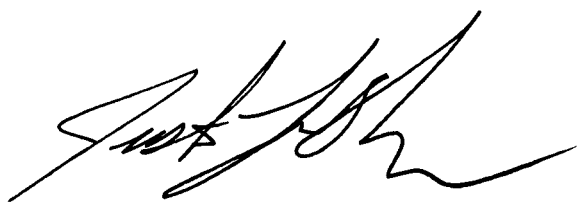
In another example, a medium-sized seafood processing and packaging facility has estimated that the cost to take off any present information from pre-printed cartons, packaging films, and labels and adjust an area to print the possible range of combinations of countries of origin is a minimum of \$15,250. The cost of buying printers for all of the production lines to accommodate the extra verbiage required is approximately \$105,000. The cost of maintaining the printers and making the changes for each pre-printed item, when used, will be an additional cost that cannot be estimated at this time. In addition, a major cost will be throughput reduction on all production lines, particularly Individually Quick Frozen (IQF) lines, as the printing of differing labels becomes a production bottleneck.

As for in-house printed labels, there will be an initial requirement to adjust every label in the computer to accept country of origin. Then every time that label is printed, the one or more countries of origin for the given production batch will have to be input. Therefore you have a one-time cost to prepare approximately 400 labels to accept country of origin of approximately \$350 and a perpetual cost based on the average number of labels producer per day, per year of \$3,500. Again, these cost estimates do not reflect recordkeeping expenses or the upstream or downstream cost estimates.

While substantially incomplete, the NFI hopes these rough and extremely conservative cost estimates for implementing the mandatory Country of Origin labeling scheme for fish and seafood assist the AMS as it prepares its proposed and final rule for the mandatory Country of Origin labeling scheme. If NFI can provide any additional information, please do not hesitate to contact us.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Justin LeBlanc', with a stylized, flowing script.

Justin LeBlanc
Vice President
Government Relations